

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6382

BILL NUMBER: HB 1019

DATE PREPARED: Nov 20, 2000

BILL AMENDED:

SUBJECT: Payment in lieu of taxes for Department of Natural Resources properties.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

| STATE IMPACT | FY 2001 | FY 2002 | FY 2003 |
|-------------------------|---------|-------------|-------------|
| State Revenues | | | |
| State Expenditures | | 1,054,029 | 2,108,058 |
| Net Increase (Decrease) | | (1,054,029) | (2,108,058) |

| LOCAL IMPACT | CY 2001 | CY 2002 | CY 2003 |
|-------------------------|---------|-----------|-----------|
| Local Revenues | | 2,108,058 | 2,108,058 |
| Local Expenditures | | | |
| Net Increase (Decrease) | | 2,108,058 | 2,108,058 |

Summary of Legislation: This bill requires the Department of Natural Resources (DNR) to make a semi-annual payment in lieu of property taxes (PILOT) for land owned or leased by the Department, except for land used as a state park. The legislative body of a county is allowed to collect a PILOT. For purposes of calculating a PILOT, the land is considered to have an assessed value of \$165 per acre. This bill makes an annual appropriation for PILOTs from the State General Fund.

Effective Date: January 1, 2001 (retroactive).

Explanation of State Expenditures: According to the State Land Office, state agencies have reported owning approximately 343,166 acres. Of this total, the DNR manages approximately 320,000 acres. (The majority of the remaining acres, or 23,166 acres, are owned by state universities.) Of the total number of

acres managed by the DNR, approximately 176,000 acres, or 55%, are dedicated to state parks. The proposal would require payment on the remaining 144,000 acres, 76% of which, or 110,000 acres, are fish and wildlife areas used primarily by hunters and anglers.

Applying the AV rate of \$165 per acre to the eligible 144,000 acres would result in an AV of \$23,760,000. The PILOT would first be due for property taxes payable after December 31, 2001, or for property tax year 2002. The estimated 2001 statewide average net property tax rate is estimated at \$8.8723 per \$100 AV. Using the estimated tax rate, the state's liability is estimated at \$2,108,058 (\$23,760,000 divided by \$100 and multiplied by \$8.8723). State fiscal year impacts are estimated at \$1,054,029 in 2001 (or ½ of the first calendar year) and \$2,108,058 for the second year. The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located.

The bill establishes the PILOT Transfer Fund. An annual transfer from the State General Fund to the PILOT Transfer Fund would be made in the amount necessary to fund the PILOT. The bill also makes an appropriation from the PILOT Transfer Fund for the PILOT distribution. Expenses for administering the fund are to be paid from money in the fund.

The State Board of Tax Commissioners, the Department of Natural Resources, and the Auditor of State will experience additional administrative expenses. The Tax Board is required to prescribe forms on which the Auditor of State will convey information regarding the state-owned land to township assessors. The DNR is to make semi-annual payments to counties and conservancy districts. The specific impact of these provisions is indeterminable.

Explanation of State Revenues: The State Treasurer is to invest money in the PILOT Transfer Fund not needed to meet the obligations of the fund in the same manner as other public money may be invested.

Explanation of Local Expenditures: Revenue collections by counties will not be affected. The tax liabilities of local taxpayers could decrease if the PILOT are used to reduce property taxes.

Explanation of Local Revenues: Beginning in CY 2002, local governmental units and school corporations in counties that contain certain land owned or leased by the DNR would receive payments in lieu of taxes from the state under this proposal. The estimated amounts to be received are listed in the above table. This money is in addition to all other revenues currently received and would have no effect on local property tax rates or collections unless a unit elects to use the revenue to reduce its property tax levy.

State Agencies Affected: Department of Natural Resources, Auditor of State, Treasurer of State, and the State Board of Tax Commissioners.

Local Agencies Affected: Governmental units in counties that contain certain land owned or leased by the DNR.

Information Sources: Jim Lewis, State Land Office (232-3335); Local Government Database; and the DNR (233- 6904).